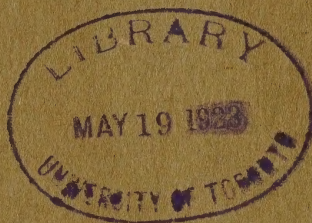


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Co-operation in Marketing Poultry Products

By T. A. BENSON



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CO-OPERATION IN MARKETING POULTRY PRODUCTS

By T. A. Benson

INTRODUCTION

An endeavour is made in this bulletin to present a review of co-operative marketing activities as affecting the poultry industry in their broader significance, emphasizing that organization and truly unselfish co-operation should be applied to the *commodity*, and not merely to groups of individuals, localities, or small districts, if the achievement of any considerable measure of success is to be realized.

While there is an evident earnest desire on the part of agricultural producers to further improve existing marketing conditions, there appears to be a lack of uniformity of thought and ideas as to methods of procedure, and the limits of the field in which co-operating producers can hope to achieve the greatest and most permanent success.

Speaking generally and in terms of co-operative marketing, agricultural produce in its progress to the final market—the consumer—passes through two phases,

First, the product to be marketed is assembled and forwarded to the wholesalers or large distributing concerns, sometimes being graded before being shipped.

Second, distribution. The product—being graded or regraded—is divided into small quantities, and still smaller quantities, until finally it is sold over the counter in varying small quantities to the consumer.

The view almost invariably held by those who have made a careful study of economics and the science of marketing is, that any saving effected on a product in transit between the producer and the point of distribution should constitute an additional profit to the producer, while any saving effected between the point of distribution and the consumer should at least reduce the cost to the consumer. The two phases of marketing are separate and distinct operations: that of distribution including such ramifications as the setting in operation of a great deal of machinery, the investment of a large amount of capital, and the application of a special and expert knowledge if the quantity of produce being handled is at all considerable.

This being so, it would appear that as a first step in the marketing of considerable quantities, the boundary line to which producers may extend their operations is the point of distribution, or just as far as the produce can be carried in large volume.

There may be exceptions to this limitation as a first step, as instanced by the distribution of milk or other trading which may be by nature purely local.

It should not be inferred, however, that a large and strong Producers' Co-operative Association cannot cultivate a certain amount of retail trade, but the principal objective must be the wider and outside markets, and the ideal the establishing of a balance to permanently stabilize the home markets and develop them.

Powell, in his book "Co-operation in Agriculture," insists, as a fundamental principle, that under present economic conditions a successful Agricultural Co-operative Marketing Association must be founded on a special industry,

and this contention is amply borne out by the success achieved by large co-operative organizations in Canada and the United States, such as the Prince Edward Island Co-operative Egg and Poultry Association, the Okanagan United Fruit Growers' Exchange, the Poultry Producers of Central California, the California Fruit Growers' Exchange and other similar organizations.

Fundamental Essentials to Success.

It must be acknowledged that scattered beside the road to success in agricultural co-operation may be found many wrecks, but a very cursory investigation will reveal *indisputable evidence* that these wrecked associations were never *established facts*; they were not built upon those fundamental essentials which alone can equip any such undertaking to meet, or be recognized by the business world; real business principles had not been insisted upon as an unchangeable law from the outset.

Such unsuccessful undertakings had been approached in a spirit of half-heartedness; there was in every case a lack of cohesion, and there was no protection against disloyalty when temptation to desert the association was strong, so strong that the weaker members went down under it.

The principal fundamentals to the achievement of success in Agricultural Co-operation may be summed up as follows:—

- (1) A recognized necessity for improvement in marketing conditions and the establishment of a better service.
- (2) The possibility of controlling a sufficient volume of the product to be handled to justify engaging competent management and meeting necessary overhead charges.
- (3) A cast-iron contract between individual members and the association, binding each member to market all his marketable crop of the product, to be handled through the association.
- (4) Expert, energetic management, and strictly expert and accurate methods of accounting.
- (5) Loyalty upon the part of all members in reference to all details affecting the rules and regulations of the association.

If the above fundamentals are recognized as absolutely essential by those desiring to organize, the otherwise difficult problem of financing the organization will be largely solved at the outset, and can be arranged upon an equitable basis, insuring justice to large and small producers alike.

In undertaking the organization of a co-operative association for the purpose of marketing poultry products, the first step is a careful survey of the territory from which it is intended to draw the products to be marketed, this survey to include the securing of accurate knowledge in reference to the probable attitude of producers; the volume of produce which it may reasonably be expected can be controlled; the average quality of the product, and the possibilities for improvement; shipping facilities, and opportunities for the healthy growth and expansion of the undertaking.

While every would-be co-operator must ever have uppermost in his mind the organization of the *commodity* rather than the organization of his particular district, it has been proved by long experience that there is strength in local organization, always providing that linking up with other localities is kept in view, leading to reasonable expansion, and the association becoming a recognizable factor in the markets.

The next step, providing the prospects as ascertained by the survey of a district seem to justify such a course, is to call a meeting of those interested, to be held at some central, local point to which all producers must be invited.

At this meeting the full details of the plan should be carefully explained, the meeting then being thrown open for free discussion and the expression of the views of those present, after which it should be possible to organize a local of the future association, the organization of which it will be reasonable to suppose can eventually be consummated, if the impressions gained as a result of the survey made are at all accurate.

Details of organization are explained in another section of this bulletin, but it may be intimated here that each one taking membership in a local association should do so with a view to becoming a member of the central association the organization of which should not be completed without first applying for a Provincial Charter.

The locals—which may or may not undertake actual marketing operations previous to the organization of the central association—should be regarded as material with which to build the main structure.

In deciding the manner in which a co-operative association is to be financed the Co-operative Act of the province in which the organization is situated should be secured and studied for guidance in order that the plan may conform to any such Act, and it will be found that these provincial Acts, where they exist, provide for more than one method.

Long experience has shown that a Co-operative Agricultural Association cannot carry on successfully for any length of time unless a method providing for advance payments to members can be evolved, and this important factor must be taken into careful consideration in making financial arrangements.

Co-operative Principles.

Unless co-operative principles are adhered to in the organization and operation of a producers' marketing association, success is problematical.

No association which develops into a "one man affair," or which is controlled by a few individuals, or of which the central assumes a role almost identical with that of an independent buyer can hope for any real permanent success. In cases of this kind the producer fails to appreciate that the association is his, that he is a vital unit in its make-up; he fails to appreciate that it is vitally necessary that he and every member must make every possible effort to do something more than merely ship produce through the association. Interest will lapse in such cases, apathy will set in, suspicion and doubt will arise, resulting in general dissatisfaction.

The co-operative marketing association must function as the marketing medium which has been set up by the producers to work out their marketing problems, and while there must be government set up by the producers, with full authority to act, all should have a say in the affairs of the organization at the right time and place.

The democratic principle of "one man, one vote," should be established and adhered to for the reason that all should stand together, large producer and small producer, for the common good—the *organizing and merchandising of the commodity* with which it is proposed to deal.

Details of Organization.

While the advisability of attempting to force the organization of co-operative marketing upon any section of the country or group of producers may be doubted, at the same time, if investigation goes to show that great improvement in marketing conditions is possible, the opportunity to consider such a step should be given.

In most instances a great deal of preliminary work will be necessary to bring about a clear understanding by producers of what is intended, and the real benefits to be derived.

Such preliminary work is almost certain to result in a larger attendance at the first organization meeting, especially of the leading spirits in the district, in whose minds will have been set up a clear and intelligent idea of the aims, objects, and the prospects ahead, if organization can be effected.

At the first meeting all details must be explained clearly, probable and perhaps unexpected difficulties pointed out, and the opinion of those present ascertained, after an open and general discussion of all points, including finance, efficient management, markets, the general interest evidenced in the districts, a general outline of a constitution and by-laws, rules and regulations, and the importance of a marketing agreement or contract as between the membership and the association.

In the event of organization being decided upon, a small committee may be named—composed of those in whom their neighbours have confidence from a business standpoint—to make some further investigations, carefully study a suggested constitution and by-laws, consider carefully the points brought out at the meeting, including efficient management. This committee may also discuss details as to assembling, handling, packing and shipping their eggs or eggs and poultry and be prepared to report to a further meeting to be held at the earliest possible date.

If at the second meeting it is decided to proceed with organization on the basis submitted, a board of directors and officers should be elected to complete the organization, and too much stress cannot be laid upon the importance of selecting the very best men available to act as directors and officers.

In many instances, providing the preliminary work has been carried out thoroughly, it may be possible to practically complete the organization at the first meeting.

Loyalty and Confidence.

The fact that each member must sign a contract with the association, binding him to market all his eggs, or eggs and poultry, through the association for a stated period by no means minimizes the great necessity for, and value of, loyalty and confidence.

The association must be initiated on such a basis as will safeguard it against failure, for it should be borne in mind that the difficulties of reorganization are almost invariably greater than the difficulties of organization.

There must be a state of general loyalty and confidence pervading the whole association, a confidence which will enable the management to carry on the business to the very best advantage, and if care is taken in the selection of the directors, the manager and all employees, such confidence will be assured, even in the face of initial discouragements which may be brought about by opposition and exceptionally keen competition, which competition should really prove to each member that his effort is necessary and well worth while.

The Manager.

The membership of every co-operative association should have sufficient confidence in its directors to entrust them with the selection of a business manager, although this is a matter which may well be discussed in a general way with the members, so many agricultural producers failing to realize how vitally this selection must affect the future of the organization. Directors and members should fully realize that when seeking a manager they are in the market for brains of a high order; and that the highest salaried managers of co-operative organizations are those men who are realizing the highest returns and greatest success for their associations. No personal ties or interest should enter into this selection. Business ability, industrious and regular habits,

experience, an intimate knowledge of the product to be handled and marketing conditions as effecting the disposal of the product must be recognized as essentials.

The directors, having satisfied themselves that they have secured such a manager, should, within reason, leave the details of management and marketing to him, at all times holding him responsible to themselves, and frequently discussing all details with him, helping him and advising him to the best of their ability, at the same time carefully studying his plans and suggestions.

In deciding as to methods of marketing, the manager must carefully study selling costs as against apparent high prices realizable; he must look to expansion and the wider market with a view to stabilizing home markets as a first consideration.

Efficient and Accurate Accounting.

A complete set of books, the simplest possible compatible with perfect efficiency, must be kept; vouchers received for all amounts of money paid out, and given for all amounts received, all amounts of money received paid into the bank, without exception, however small the amounts may be. Vouchers or receipts must be received or given in all transactions such as delivery or receipts of produce, and all vouchers, etc., accurately entered up *without delay*. Failure in this respect causes chaotic conditions in the affairs of associations, and such conditions shake the confidence of members, engendering dissatisfaction, leading to disruption.

Duties of Directors.

While details of directors duties and particulars as to the holding of directors meetings are incorporated in the by-laws of all associations, it may be well to remind directors of the necessity of insisting upon efficient methods in all departments, particularly as regards prompt, accurate accounting, and all financial matters. The first duty of directors is to direct.

An excellent plan with a view to training members in the duties of directorship, which has been adopted by some of the large co-operative marketing associations, is to hold a certain number of open directors meetings which ordinary members of good standing may attend.

Another good arrangement which ensures harmony and good feeling is that by which each local unit of an association is entitled to have a representative sit at specified directors meetings to place local difficulties and suggestions before the directors, with a view to discussion and adjustment. These members though having no power to vote could give valuable assistance in discussions.

Business Methods in the Office.

The very existence of a co-operative association is dependent upon the confidence reposed in it by the membership. Doubts and misgivings will often arise if members are disappointed in their returns; they are not in a position to follow closely conditions which may arise to cause fluctuations in prices, and in such instances the only hope for re-establishing confidence is in an accurately and clearly kept set of books and records.

The double entry system of book-keeping is the only system that should be considered. Single entry is unscientific, incomplete and falls down under every test. Two principal books only are really necessary for a complete record of the financial system—a journal and a ledger, although in some instances two journals are used—the “Bought Journal” and the “Sold Journal,” and a separate Cash Book.

The journal should show the complete business transactions in the order in which they occur, while in the ledger the same transactions are classified as to the

respective accounts, making it possible to turn up any particular transaction at a moment's notice and ascertain at a glance the condition of any particular account.

Petty Cash.

In conducting a business of any dimensions it is always necessary to keep a small amount of cash on hand for the payment of accounts which cannot be conveniently paid by cheque, and a petty cash fund should be created to liquidate such items by drawing a cheque for an even amount in favour of petty cash. A receipt should be taken from whoever is placed in charge of this account and a record of all expenditure promptly and regularly entered in a small book. There must always be in this petty cash fund the actual difference in cash between the original amount and the total amount of his vouchers. As the fund becomes small from time to time the vouchers should be totalled, checked up with the remaining cash in the fund, and a cheque for the total of the vouchers drawn to revive the fund.

Safeguarding the Cash.

Each day, every single item of cash received should be paid into the bank. No money received, no matter how small the amount, should be used for purchases or payment of accounts. Too much emphasis cannot be laid upon the absolute necessity for passing all such accounts through the cash book and the bank, and making all payments by cheque or from petty cash insisting upon receipts for all amounts paid, no matter how small they may be. Any other system makes accurate accounting practically impossible.

Trial Balances.

Trial balances should be struck at intervals in order that the manager and directors may know the exact conditions of the finances and standing of the association. In this way leakages which might otherwise become serious can be stopped and adjustments made.

Auditing the Books.

The books of every co-operative marketing association should be audited at regular intervals by an accredited, responsible auditor, and the directors of the association should make it a point to most thoroughly understand all audits submitted to them even to the extent of having the auditor clearly interpret to them the exact meaning and significance of all items.

Secure Expert Advice.

Finally, so far as office management is concerned, the office manager should preferably be an accountant, and the directors would be well advised to call in and consult with an expert accountant before going very far with the establishment of an office system.

Bonding Employees.

All employees of a co-operative association in whom any considerable financial responsibility is placed should be bonded with a reliable bonding corporation, regardless of the ascertained high character of the employee or his status in the association. This is a strict business principle to which all associations should adhere.

WAREHOUSE MANAGEMENT

Warehouse Manager.

An expert manager is the keystone of the co-operative agricultural marketing association, as indeed he is of any business concern, and it naturally follows that the warehouse manager is the pivot upon which the warehouse management must revolve.

He must be an expert in his line, with an accurate knowledge of the product he is handling, including expert grading, packing, and storing, warehouse management, transport problems, etc. In short, he must be a man who can readily interpret the instructions and suggestions of the manager, and govern the staff under him, whether it be large or small.

Receiving the Egg Shipments.

In cases where the members of a co-operative association are being paid on a quality basis, the greatest care and accuracy must be exercised, and every separate shipment must be carefully numbered and handled separately until ready to be pooled with other eggs in their respective grades.

Every shipment should be immediately entered in the receiving book, with particulars of the name of shipper and point of shipment, taken from the express or freight bill.

One or more candlers should be made responsible for the candling and grading of each shipment. If the individual shipments are large and not very numerous at any particular time, two men can be made responsible for the shipment. The results of grading should be carefully and absolutely accurately noted on the grading sheet, being initialed by the candler when completed, two copies at least being made; one for the office file and the other for mailing to the individual or manager of a local when sending returns.

If warehouse management is to work smoothly and expeditiously some one must be made responsible for a particular task or tasks. Every move should count to ensure efficiency and the strictest economy.

Empty Cases.

The question of keeping an accurate account of empty egg cases in and out is one of great importance, and often of serious loss to large concerns engaged in the marketing of eggs.

If a co-operative association undertakes to supply cases and they remain the property of the association, a special egg case account must be kept, accurate entries made of cases sent to and received from locals or individual shippers, balances struck periodically and charges made for outstanding cases. Members in locals should receive notification that cases sent out will be charged against their account and credited again when returned.

It is of the utmost importance that all egg cases be sent out in good repair, with clean fillers and flats. Preferably the cases should be branded in such a manner as to ensure their delivery to the association, even supposing the direction card should be accidentally torn off. Direction cards or labels should be supplied to members. Ordinary wear and tear of egg cases should be charged to the association depreciation account.

Identification of Individual Shipments.

In the past, one of the greatest drawbacks to progress of the poultry industry has been the great difficulty encountered when attempts have been made to pay producers on their merit, according to quality of the eggs they offered for sale. This has been due to difficulty in identifying individual shipments. Many co-operative associations in Canada, the United States, and Europe adopted a system of stamping as a means of identification.

Under this system each member of a co-operative egg marketing association is provided with a rubber stamp with which to imprint on each egg his own particular number, thus ensuring that any inferior or bad eggs in any shipment may be traced to their actual source.

The serious objection to this system is, that when two or more grades are being made even if only a small proportion should fall into the lowest grades it becomes an almost endless task to examine these lower grade eggs and fix the responsibility for them, therefore, from a candling and grading standpoint the stamping of eggs is not very satisfactory and has been largely discontinued.

Some associations have adopted the use of stamps in combination with the "Egg Case Plan," stamping the eggs on the small end rather than on the large end, as some candlers claim that the imprint of the stamp on the large end of the egg interferes with accurate grading.

CO-OPERATING IN MARKETING POULTRY

In the marketing of poultry co-operatively wonderful opportunities present themselves, which it would be folly to neglect. Considerable success has already been achieved, particularly in the Maritime Provinces.

In some instances fattening or fleshing the birds has been undertaken on the farms, the birds then being shipped to the Central by the members. The availability of suitable and comparatively cheap feeds on the farm was considered an advantage, and was the reason for this method being followed. It has not given complete satisfaction, due to the difficulty encountered in arranging for a sufficient number of producers having their birds finished on the same date in order to secure sufficient volume and uniformity.

The greatest success has been achieved in co-operative marketing of poultry by those who have assembled ordinarily well-fed poultry, taken off the run, to be shipped in specially constructed cars—provided by the railway companies—to distant selected markets when the home markets were glutted. This has resulted in satisfactory returns being secured in spite of possible poor home markets.

MARKETING, MERCHANDISING, COMPETITION AND CO-OPERATION

There is a difference in simply marketing and merchandising. An individual or small local co-operative association may market eggs, accepting the best price obtainable at the time the eggs are produced. In such cases, if the marketing has to be done at a time when large quantities of eggs are being produced and low prices prevail, the low price must be accepted for all the output during the season of heavy production and low prices. This happens because individuals and small, isolated co-operative associations are all competing against one another in the same markets, and seldom have facilities for storing or holding, or volume sufficient to make any other course than immediate disposal practicable.

This argument must not be understood as indicating that no benefits arise as a result of local organization. On the contrary, small local organizations permit a study of co-operation and preparation for expansion of effort; promote a greater care by producers in handling their flocks and market eggs; better shipping methods, and greater interest in poultry is established, resulting in a better quality of eggs reaching the markets, which produce better general returns.

Merchandising, which is only seldom possible where merely a small volume of a product is controlled, is a different matter to simple marketing.

Given volume, merchandising, which includes several factors such as place and time, is possible.

A large association having an assured control of considerable volume (assured by reason of the contract or marketing agreement) can resort to merchandising. The product can be graded and standardized, the securing of marketing intelligence can be arranged and the best markets near and far can be selected. That is the "Place factor." Storage can be resorted to in taking care of a genuine surplus which the markets do not really require at a given particular time, and which they will urgently need at some time in the near future. That is the "Time factor." Other factors will be advertising and education to popularize and increase the consumption of eggs. The real value of eggs in relation to the growth, development and general health, both physical and mental, of the human race, is only too little understood by the consuming public.

All these things are possible if producers will get together with the broader field in view, eliminating that competition between individuals and small co-operative concerns in the same market, which so often reduces prices to a point below the cost of production.

GRADING AND STANDARDIZING EGGS

Eggs demand the most efficient and rapid handling methods that can be devised, but it would be a very difficult matter to find less efficient methods of marketing than have been applied to this commodity in the past. For a number of years, however, strenuous efforts have been made in the direction of improved methods with salutary results.

In co-operation with representatives of producers and dealers the Dominion Department of Agriculture has established national standards by which eggs may be graded and standardized. Canada is the only country in the world having national standards for eggs based on interior quality. The result of this work is that on the markets of Great Britain Canadian eggs are in exceeding good repute.

If Canadian producers can be brought to a realization of what standardization can accomplish for their egg industry, they will insist upon it, and, working hand in hand with consumers, will assist in educating them to demand standardized, graded eggs.

Producers are entitled to the great advantage of selling their eggs graded and standardized, and consumers are entitled to know just what they are buying, so that they may buy intelligently.

With such a system prevailing, great confidence would be established, resulting undoubtedly in greatly increased consumption and satisfaction.

POOLING

The contract or marketing agreement with the members of every co-operative egg and poultry association should contain a clause providing that all eggs received by an association at once become the property of the association, to be graded and a record kept of the number of each grade received from each member, and thereafter all eggs of like grade pooled, to be sold immediately to the best advantage or stored at the discretion of the association. Each member should receive the average price realized for the grade or grades into which his eggs may fall.

There is abundant proof that when producers receive payment in accordance with the quality of the eggs they offer for sale they are encouraged to make the effort necessary to the production of superior quality. The anti-

quoted system of paying for eggs by the dozen, irrespective of interior quality, size, or cleanness, may be said to impose a penalty on carefulness and thrift, while condoning slovenly methods which result in heavy losses, suspicion, serious curtailment of consumption and general dissatisfaction.

SOME METHODS OF FINANCING

All things considered, perhaps the non-capital method of financing is the best, and there are many successful associations in existence to-day which are financed on the non-capital, non-profit basis.

In some instances an initial membership fee of \$10 is charged, this being the only cash contribution a member is required to make, but a strict and non-variable condition of membership is the signing of a contract by each and every member. When a sufficient number of contracts have been secured to ensure the necessary volume of eggs, or whatever product is to be handled, a separate or subsidiary corporation is organized, its business being the handling and packing of the product; all the business of buying from or making advances to the producers, marketing and shipping the product being conducted by the producers' association.

This subsidiary company is financed on a share capital basis, two kinds of stock being issued—common and preferred. The common stock is turned over to the producers co-operative association in consideration of a contract or agreement by which the association agrees that all the product shipped to it by members shall be turned over to the subsidiary corporation for handling, grading and packing, at an agreed charge. The common stock carries all voting power and places the control of the subsidiary company in the hands of the producers co-operative association, the same directors conducting the affairs of both organizations.

The preferred stock, which carries no voting power, is issued to an amount sufficient to finance the subsidiary corporation, and is divided into classes A, B, C, etc., according to the number of years covered by the producers association members' contracts. This stock carries the usual rate of interest, and one class is retired each year by means of deductions made from the proceeds of sales of members' shipments. During the first year, Class A stock is retired; the second year, Class B, and so on, until by the time the members' contracts have expired all the outstanding preferred stock has been bought by the association. Then the members who have paid for the preferred stock by deductions made from their returns each year have an equity in the common stock in proportion to the amount of produce they have marketed through their association during the process of retiring the preferred stock.

In the event of a member wishing to withdraw from the association at the expiration of his contract, he is paid the book value of his equity in the common stock of the association.

As the preferred stock carries no voting privileges it can be sold to any one who wishes to purchase it, members of the producers association being given the first refusal, and in order to make this stock attractive to investors it must be substantially guaranteed, this guarantee being the contract between the subsidiary corporation and the co-operative association, providing for the turning over of all produce shipped by members to the corporation for handling purposes, the payment of the first cost of handling the product, and an annual dividend on the preferred shares.

The co-operative association has hard and fast contract with all its members by which they are bound to deliver all their marketable product for a stated period, which means that the preferred stock is guaranteed by all the products produced by the members and marketed through the association for a

stated period. Such security must necessarily be regarded by financial institutions as first class, and no difficulty has been found in disposing of such stock.

An association of this kind is really a non-share capital, non-profit organization, and immediately all the preferred shares of the subsidiary corporation are retired, deductions from members' returns cease, the full realized price, less the actual cost of handling, management and upkeep can, from that time on, be returned to the members. In the case of an increase in membership, new preferred shares can be issued and retired in the same manner.

This method of financing a co-operative agricultural marketing association is admittedly the best that has so far been devised. In principle it is absolutely co-operative; in practice it greatly facilitates the securing of membership, it is absolutely sound and places an exceptionally small burden upon the shoulders of the members.

With such security and good management, risk of failure or loss is reduced to such a minimum under this system, that it has always been found an easy matter to secure ample capital.

The Collateral Plan.

The Prince Edward Island Co-operative Egg and Poultry Association, which was originally organized through the affiliation of forty local co-operative units known as egg circles, has operated successfully since the spring of 1914, and is a non-share capital organization. Since organization the number of locals has increased.

The first start in business was made by means of a guaranteed bank overdraft, which has since been fully paid up. In 1915 a Provincial Act was passed, giving all the egg circles comprising the association power to sign collateral notes, the officers of a circle or branch having power to sign a note binding all its members in a stated sum per capita. In this way ample capital was provided, the banks being willing to advance against the collateral notes.

Combined Share Capital and Collateral Notes.

By this method an association can be financed satisfactorily, the share capital allotted and collateral notes each being based proportionally upon the number of producing hens owned by the members; the amount of share capital necessary to be taken up by the members and paid for in cash being reduced by the acceptance of collateral notes.

Reserve Fund.

Every business concern should set aside at least a portion of its surplus funds as a reserve with which to meet unexpected contingencies, ordinary and unexpected depreciation, etc., and the amount to be set aside may be limited by the by-laws, to avoid hardship upon the members.

THE CONTRACT

The great value and many advantages of a cast-iron contract between the members of a co-operative association and the association cannot be over-estimated. Such a contract is absolutely essential to any considerable measure of success; it is the bedrock upon which the financial structure of every co-operative association must be laid.

Without such a binding covenant between the members of an association, and between the members and the association real success is most difficult of attainment and the association is not an *established fact*.

An important point to remember is that tangible property, such as land, does not necessarily furnish the very best security. We often hear the remark,

"The farm cannot run away". The business methods and character of a borrower are generally regarded as of prime importance in relation to financial transactions. Where individuals are known to be capable of paying their debts and willing to do so, credit conditions are always good and the superior kind of lenders who detest legal proceedings are attracted.

Banks will fight shy of unbusiness-like borrowers, for the reason that they are likely to prove unprofitable clients in more ways than one; and this applies alike to corporations, co-operatives, and individuals.

In the marketing of agricultural products, we have seen that the individual, with comparatively few exceptions, is at a great disadvantage in dealing with large business concerns. The small local co-operative organization is in slightly less degree at practically the same disadvantage. It is not to be expected that even a large corporation or co-operative organization can succeed or receive recognition in the business world unless it is based on stable businesslike principles. This is historical. In other words a co-operative association must become an *established fact* as a first essential to ultimate success.

SOME ADVANTAGES OF CO-OPERATIVE MARKETING

A co-operative marketing organization can assist in the standardization of a product, and in improving grading and packing methods.

Canadian poultrymen possess a great asset in the Canadian Standards for Eggs, which co-operatively they can help to develop.

Old markets can be developed. New and larger markets can be found and developed.

Great savings can be effected.

Improved service can be established.

Increased consumption can be brought about as a result of these improvements, combined with judicious advertising.

Demand can be increased for a product in larger ratio than the increase of population. This has been demonstrated by the increased consumption of eggs in Canada and other parts of the world.

Capable and expert management can be secured, including a knowledge of the condition and needs of markets far and near.

Volume can be controlled, making it possible to demonstrate the vital importance of prime quality, and to cater to the exact requirements of different markets, insuring the disposition of all the marketable goods to the very best advantage.

In co-operative marketing, all incentive to beat down prices to producers is eliminated; the incentive, on the contrary, is to secure for the producers the highest possible prices, leaving it almost entirely in the hands of the producers as to whether or not their returns are satisfactory by giving every possible encouragement to prime quality.

Large co-operative marketing associations, representing a considerable number of producers, can urge and foster advantageous legislation.

True businesslike co-operation on the part of producers, undertaken with the object of *organizing a commodity*, can so stabilize and elevate any given line of agricultural activity as to constitute it a sound and profitable industry, with an open market available at all times.

AREA WHICH MAY EVENTUALLY BE COVERED

Local organizations and the retaining of their identity may be emphasized, but a gradual development should be encouraged. Organization on a large scale covering a large area is easily possible so long as *local problems of organization* and *universal problems of marketing* are not confused. For instance, in some provinces local associations can be set up in counties, these in turn

federated into one provincial organization. Centralized selling in marketing must be followed up as the development proceeds.

The local organization can, if thought desirable, market its members' produce until such time as a county organization is set up, and the counties should constitute the selling centre as soon as organized. When provincial organization is accomplished, all marketing should be conducted by or under instructions from this central, as otherwise there will be no uniformity in selling prices, competition will be set up leading to disintegration and weakness. During the process of development, candling and grading centres can be established as the volume of eggs controllable warrants. It may be possible for two or more counties to be federated before the organization of a provincial association is undertaken.

TO PRODUCERS

If you feel that there is a necessity for improvement in marketing conditions and the establishment of a better service, you must study your problem in the broader sense from the standpoint of the commodity and co-operation with your fellow-producers.

Having made the first step in organization, study your association carefully, as by so doing you will soon appreciate what it can accomplish for you in the way of placing your industry upon a higher plane.

Your association will never be able to secure for you the highest prices if you contribute poor quality produce. The association has no magic power to provide funds to pay immediate cash for members' shipments, but sound financing, supported by a contract between members and the association, will take care of this. You must take a keen interest in nursing your association in order to bring about its healthy development. Remember that to criticise with no intention of suggesting a remedy is destructive, but to declare a fault with a view to assisting in its removal is constructive, worthy of very careful consideration, but such declaration should be made at the right time and in the right place.

Never defame your own association any more than you would deery your own individual business undertakings. Remember that the real basis of the merit of your association does not rest on the *special* wisdom of the management any more than on the power of combination and cohesion ensuring a large and assured volume of produce, produced by a large number of producers, placed on the markets by a skilled salesman. Such merchandising advantages can be secured by producers in no other way.

Without the co-operation of producers, conditions must exist in which the buyer can set the price which the individual must accept, and it is only natural that this price will be forced as low as possible, as the buyer's profit lies in the margin between his buying and selling prices, and remember that where you have one hundred sellers and one buyer the buyer can set the price, but if you have one seller and four or five buyers the seller then has some say as regards the price.

Never be discouraged if competition during the first stages of development is so keen that unless you think carefully your association will appear devoid of advantages.

Never compare prices quoted by those who cannot look with approval on your efforts to take your proper place in the commercial world with the association prices. Stick to your association at all times. Let it prove itself and then compare the status of your industry, after your association has had a fair chance, with what it was before.

Disappointments and discouragement are possible, more particularly if you expect the association "to do it all," or expect that any one individual co-operator can receive a favour not received by all.

Experience leaves no room for doubt that co-operative marketing, based on really sound principles and loyalty, is the very best possible method of marketing in its consistent average results.

SUGGESTED MARKETING AGREEMENT FOR LOCAL UNITS

THIS AGREEMENT made between the _____ Co-operative Egg Circle of
hereinafter called the Egg Circle of the First Part, and the
undersigned Poultry Producer, hereinafter called the Producer of the Second Part

WITNESSETH in consideration of the mutual obligations herein and of the
agreements of each of the parties hereto to be performed, and in accordance
with the By-laws, Rules and Regulations of the Egg Circle.

1. The Egg Circle agrees to receive, handle and market the eggs of the
producers to the best advantage under market conditions, of the producer and of
other producers named in contracts generally similar to this contract, and to pay
over to the producer the amount received therefrom as payment in full after
deducting all costs of the Egg Circle, including reserves and other provisions as
provided in the by-laws of the Egg Circle.

2. The Egg Circle agrees to receive, handle, and market, and the producer
agrees to deliver to the Egg Circle all eggs produced or acquired by or for him
during the years 1923, 1924 and 1925, and thereafter from year to year until
terminated by either party as hereinafter provided.

3. The producer agrees that all eggs delivered shall be in good marketable
condition and shall be delivered to the Circle as directed by the Manager of the
Circle.

4. The producer agrees that the Egg Circle may for any purpose herein pool
or mingle the eggs with eggs of a like quality or grade and for such length of
time as determined by the Egg Circle, delivered by other producers named in
contracts generally similar to this contract and that the returns therefrom, less
all costs, advances and charges, shall be credited and paid to him on a propor-
tional basis of all such eggs of like quality or grade as determined by the Egg
Circle.

5. The producer agrees that the Egg Circle shall have power without limita-
tion to borrow money in its name for the purpose of the Egg Circle on the eggs
delivered to it or on any accounts for the sale thereof, or on any drafts, bills of
exchange, notes of acceptance, orders, or any commercial paper as collateral
thereof.

6. Because of the difficulty and impracticability of determining the actual
loss to the Egg Circle, should the producer fail to observe the terms of this
contract, the producer hereby agrees that the loss shall be determined at the rate
of five cents for each dozen of eggs handled, sold, contracted, or delivered, other
than in accordance with the terms of this contract as liquidated damages and
not as a penalty.

7. The producer agrees to furnish the Egg Circle from time to time as and
when requested by the Egg Circle, information as to the size and condition of
his flock and any other such information which in the opinion of the Egg Circle
would assist in the proper production, storing, or marketing of the product.

8. This agreement is one of a series generally similar in terms, comprising
with all such agreements signed by the individual producer, one single contract
between the Egg Circle and the said producer mutually and individually
obligated under all the terms thereof. The Egg Circle shall be deemed to be
acting in its own name for such producers in any action or legal proceeding
arising out of this contract. A breach thereof by any producer shall not impair
the obligation of the agreement or contract of any other producer.

9. This agreement shall be binding upon the producer, his representatives, successors and assigns, during the period above mentioned, as long as he produces directly or indirectly, or has the legal right to exercise ownership or control of any producer, or interest therein, during the term of this contract.

10. Each member shall deliver all eggs produced by or for him, except only such eggs produced for breeding stock as may be sold for hatching purposes, or actually used for incubation, and such eggs as may be retained by the member for his own personal use. No member shall deliver to the Egg Circle eggs produced from hens of non-members.

11. This agreement shall come into force and effect upon the mailing of notice thereof by the Egg Circle to the producer, but shall be null and void if an insufficient number of contracts similar to this contract in the discretion of the Egg Circle be not signed on or before _____, 1923, and shall endure from year to year after the year 1925, but may be terminated in any year subsequent to 1925, on any date between the 1st day of April and the last day of June, by written notice to that effect of either party to the other.

Signed by the Producer at _____ this _____ day
of _____, 192

.....
Producer.

.....
Address.

Signed by the Egg Circle at _____ this _____ day
of _____ 192

By.....
President.

.....
Secretary.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1923